

JAMES MADISON NATIONAL COUNCIL FUND

STATEMENT OF FINANCIAL POSITION

September 30, 2000

ASSETS

Cash	\$	<u>307,765</u>
Investments: (Note 2)		
U.S. Treasury Market Based Securities		3,953,913
U.S. Treasury Permanent Loan		561,787
Growth and Income Pool		<u>779,721</u>
Total investments		<u>5,295,421</u>
Receivables:		
Pledges (Note 3)		974,677
Accrued interest		<u>29,730</u>
Total receivables		<u>1,004,407</u>
Total assets	\$	<u><u>6,607,593</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	254,279
Accrued payroll and annual leave		<u>31,411</u>
Total liabilities		<u>285,690</u>
Net assets (Note 4)		
Unrestricted-Undesignated		3,320,607
Unrestricted-Council designated for projects		495,707
Temporarily donor restricted for projects		<u>2,505,589</u>
Total net assets		<u>6,321,903</u>
Total liabilities and net assets	\$	<u><u>6,607,593</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

JAMES MADISON NATIONAL COUNCIL FUND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2000

CHANGES IN UNRESTRICTED NET ASSETS

Revenues

Membership contributions	\$	937,857
Miscellaneous gifts		163,525
Interest		268,297
Net unrealized and realized gain on investments (Note 2)		116,374
Imputed financing for cost subsidies (Note 5)		18,689
Net assets released from restrictions		<u>2,620,453</u>
Total revenues		<u>4,125,195</u>

Expenses (see Schedule B)

Personnel costs		530,418
Travel and transportation and subsistence/support persons		93,611
Other services		1,492,426
Books and library materials		154,805
Exhibit opening events, receptions, and Madison Council meetings		355,107
Professional and consultant services		513,430
Office supplies and materials		25,804
Printing, publishing, and photoduplicating		<u>268,288</u>
Total expenses		<u>3,433,889</u>

Other changes

Transfer to other funds (Note 6)		<u>90,000</u>
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Increase in unrestricted net assets		<u>601,306</u>
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions		1,113,121
Net assets released from restrictions		<u>(2,620,453)</u>
Decrease in temporarily restricted net assets		<u>(1,507,332)</u>

Decrease in net assets		<u>(906,026)</u>
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Net assets at beginning of year		<u>7,227,929</u>
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Net assets at end of year	\$	<u><u>6,321,903</u></u>
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JAMES MADISON NATIONAL COUNCIL FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2000

Cash flows from operating activities:	
Donations Received	\$ 4,128,087
Interest Received	269,165
Cash paid to others	(2,675,538)
Cash paid to employees	(494,001)
Transfer to Other Funds	(90,000)
Net cash provided by operating activities	\$ <u>1,137,713</u>
Cash flows from investing activities:	
Investment in U.S. Treasury Market Based Securities	\$ (4,387,161)
Investment in U.S. Treasury Permanent Loan	(561,859)
Investment in Growth and Income Pool	(165,685)
Redemption of Investment in U.S. Treasury Market Based Securities	4,064,674
Redemption of Investment in U.S. Treasury Permanent Loan	24,259
Redemption of Investment in Growth and Income Pool	165,685
Net cash used by investing activities	\$ <u>(860,087)</u>
Net Increase in Cash	277,626
Cash at beginning of year	<u>30,139</u>
Cash at end of year	\$ <u><u>307,765</u></u>
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities	
Change in Net Assets	\$ <u>(906,026)</u>
Adjustments to reconcile changes in net assets to net cash provided from operating activities	
Non-cash gain on mutual fund investments	(116,374)
Decrease in pledges receivable	1,913,584
Decrease in accrued interest receivables	833
Increase in accrued payroll and annual leave	17,728
Increase in accounts payable	227,968
Total Adjustments	<u>2,043,739</u>
Net Cash from Operating Activities	\$ <u><u>1,137,713</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

JAMES MADISON NATIONAL COUNCIL FUND
NOTES TO FINANCIAL STATEMENTS
September 30, 2000

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING PRINCIPLES**

A. DESCRIPTION OF FUND

The James Madison National Council Fund (JMNC Fund) was initiated by the Librarian of Congress, accepted through a poll vote by the Library of Congress Trust Fund Board in July 1989 and reaffirmed October 7, 1989. A gift of \$100,000 from Robert Gwinn, Chairman of the Board of Encyclopedia Britannica, established the Fund. The JMNC Fund is reported in the Library of Congress gift and trust funds.

The James Madison National Council is an advisory board of business people and philanthropists that contribute ideas, expertise, and financial support to support the Library's collections and programs. The Council is open to persons from the private sector interested in advancing the Library's outreach mission. There are 103 members of the Council.

Significant accounting policies followed by the JMNC Fund are presented below.

B. BASIS OF ACCOUNTING AND PRESENTATION

The Fund's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

The Fund adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognizes net assets based on the existence of applicable restrictions limiting their use.

Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets result from the receipt of unrestricted contributions, the expiration of donor-imposed restrictions on contributions, and changes in other assets and liabilities. These assets are available to the Fund for use in support of current and future operations. The Library of Congress provides support services to the James Madison National Council. The cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the Library. To the extent that these services are provided, they are not considered operating expenses of the James Madison National Council.

C. USE OF ESTIMATES

The preparation of the Fund s financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. CONTRIBUTIONS AND REVENUE RECOGNITION

The Fund records as contribution revenue amounts received in the form of cash, promises or pledges to give. Unconditional promises or pledges to give are recognized as a contribution receivable. Multi year pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

E. INCOME TAX

The JMNC Fund operates for the benefit of the Library of Congress which is an instrument of the United States and, as such, is not subject to income tax.

F. INVESTMENT POLICY

The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. The policy provides three options for investment of the JMNC Fund funds:

- ! a permanent loan with the U.S. Treasury
- ! a pool of U.S. Treasury market-based securities
- ! a private investment pool consisting of five stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board's investment committee and approved by the Board are:
 - ! Vanguard Money Market Prime Fund
 - ! Fidelity Fifty Fund
 - ! Fidelity Stock Selector
 - ! Vanguard Total Stock Market Index Fund
 - ! Vanguard 500 Index Fund
 - ! RS The Emerging Growth Fund

Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 2000. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.

NOTE 2 - INVESTMENTS

A. U. S. TREASURY

An act of Congress approved March 3, 1925, and subsequently amended, permits up to \$10 million of trust funds to be invested with the United States Treasury as a perpetual loan, at a floating interest rate, adjusted monthly, but no less than four percent per annum. At September 30, 2000, \$561,787 of JMNC Fund funds were invested in the U.S. Treasury permanent loan at an interest rate of five percent. Other investments with U.S. Treasury were as follows:

Investment	Par	Unamortized Premium	Unamortized Discount	Amortized Cost
Non-Marketable, Market Based Government Securities	\$3,902,357	\$ 63,758	\$ (12,202)	\$3,953,913

B. MUTUAL FUNDS

The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 2000, totaled \$779,721.

The net gain on investments of \$116,374 consists of the following: \$55,319 realized gain of mutual fund capital gains distributions; \$15,753 realized gain of money market dividends and \$45,302 unrealized gain on the growth and income pool.

NOTE 3 - PLEDGES

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as contribution revenue. Outstanding pledges of \$1,090,000 at September 30, 2000 were discounted through fiscal 2002 at a market discount rate and are included in the statement of financial position at their discounted present value of \$974,677. The amounts due in future years at their current discounted value are: \$75,272 in fiscal 2001; \$899,405 in fiscal 2002.

NOTE 4 - NET ASSETS

The JMNC Net Assets of \$6,321,903 is classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, \$3,320,607 is classified as Unrestricted-Undesignated. The balance of \$3,001,296 consisting of \$495,707 (Unrestricted-Council Designated for Projects) and \$2,505,589 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the Permanent Treasures Exhibit, Illustrated Guides to the Special Collections and special acquisitions.

Ending Net Assets includes undelivered orders of \$548,551 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

NOTE 5 - IMPUTED FINANCING FOR COST SUBSIDIES

An adjustment of \$18,689 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees' active years of service.

NOTE 6 - TRANSFER TO OTHER FUNDS

The JMNC Fund transferred \$90,000 to the Clapp Fund, a gift revolving fund of the Publishing Office of the Library of Congress, to cover the cost of publication of a book featuring the more than 200 initiatives supported by the Council in conjunction with the Madison Council's tenth anniversary.

NOTE 7 - EXPENSES BY FUNCTIONAL CLASSIFICATION

As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 2000. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 2000 Expenses by Functional Classification

	<u>Amount</u>
JMNC Fund Projects and Programs	\$ 207,118
Members' Specific Projects	2,298,459
Operations	<u>928,312</u>
Total Expenses	<u>\$ 3,433,889</u>

NOTE 8 - RETIREMENT PLANS

Employees of JMNC Fund participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal 2000, the JMNC Fund paid approximately \$25,751 to fund retirement benefits, excluding FICA taxes.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Schedule A

Schedule of Designations and Funding for Outreach Programs

JMNC Fund Designations:

Designations, beginning of fiscal year	\$5,106,706
Funds uncommitted during the year	(\$50,000)
Designations made during the fiscal year *	<u>894,889</u>
Total designations	<u>5,951,595</u>

Funding:

JMNC Fund projects and program expense, including unliquidated obligations	215,619
Members' specific projects expense, including unliquidated obligations	<u>2,620,453</u>
Total funding	<u>2,836,072</u>
Net designations, end of fiscal year **	<u>\$3,115,523</u>

* \$894,889 as Temporarily Donor Restricted Designations which are discounted in the Statement of Activities to \$890,456. Also included in the Statement of Activities is the accretion of the discount of Temporarily Donor Restricted pledges of \$222,665.

** The Net designations, end of fiscal year of \$3,115,523 are discounted in the Statement of Financial Position to \$3,001,296

SUPPLEMENTAL INFORMATION

Schedule B

Schedule of Expenditures

	JMNC Fund Projects and Programs	Members' Specific Projects	Operations	Total
Personnel costs	\$ -	\$ 216,796	\$ 313,622	\$ 530,418
Travel and transportation and subsistence/ support persons	-	19,341	74,270	93,611
Other services	22,595	1,045,248	424,583	1,492,426
Books and library materials	-	143,985	10,820	154,805
Exhibit Opening Events, Receptions, and Madison Council Meetings	107,750	205,552	41,805	355,107
Professional and consultant services	61,774	451,656	-	513,430
Office supplies and materials	-	16,572	9,232	25,804
Printing, publishing, and photoduplicating	<u>14,999</u>	<u>199,309</u>	<u>53,980</u>	<u>268,288</u>
Totals	207,118	2,298,459	<u>\$ 928,312</u>	<u>\$ 3,433,889</u>
Unliquidated Obligations not included in expenses	<u>8,501</u>	<u>321,994</u>		
Expenses including unliquidated obligations	<u>\$ 215,619</u>	<u>\$ 2,620,453</u>		